

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

In the Matter of	)	
	)	
E-Rate Program Amortization Requirement	)	WC Docket No. 19-2
	)	
Modernizing the E-Rate Program for	)	WC Docket No. 13-184
Schools and Libraries	)	

**COMMENTS OF ILLINOIS DEPARTMENT OF INNOVATION AND TECHNOLOGY**

The Illinois Department of Innovation and Technology (“DoIT”), an Illinois State agency, hereby responds to the Commission’s Notice of Proposed Rulemaking and Order in the above-captioned proceedings.<sup>1</sup> In the Notice, the Commission proposes to eliminate the requirement that applicants for support from the Schools and Libraries Universal Service Support Mechanism (“E-rate”) amortize Category One non-recurring costs of \$500,000 or more over multiple years. The DoIT strongly supports this proposal.<sup>2</sup>

**Background**

The Illinois DoIT delivers statewide information technology and telecommunication services and innovation to state government agencies, boards and commissions as well as policy and standards development, lifecycle investment planning, enterprise solutions, privacy and security management. Through our efforts, Illinois leads the nation in Smart State initiatives. The Illinois DoIT also manages the Illinois Century Network, a service that creates and

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<sup>1</sup> *E-Rate Program Amortization Requirement*, WC Docket No. 19-2, Notice of Proposed Rulemaking and Order, FCC 19-5 (rel. Jan. 31, 2019). In these comments, the Illinois DoIT refers to the Notice of Proposed Rulemaking portion of the document as the “Notice” and the Order portion of the document as the “Order.”

<sup>2</sup> *See also* Letter from Emily Bastedo, Senior Advisor to the Governor on Education Policy, State of Illinois, to Marlene H. Dortch, Secretary, Federal Communications Commission, CC Docket 02-6, WC Docket No. 13-184 (dated Oct. 31, 2018) (Illinois Governor’s Office Letter), Exhibit A, Attachment 1, and Letter from Cynthia B. Schultz, Counsel to Illinois Department of Innovation and Technology to Marlene H. Dortch, Secretary, Federal Communications Commission, WC Docket No. 13-184 (dated Oct. 19, 2018) (Illinois DoIT Letter), Exhibit 1, Attachment 2.

maintains high speed telecommunications networks providing reliable communication links to and among Illinois schools, institutions of higher education, libraries, museums, research institutions, state agencies, and units of local government.

Illinois schools and libraries consistently receive approximately 4 percent of the total E-rate support committed annually.<sup>3</sup> Over the past four funding years, USAC has committed an average of \$104 million annually in E-rate support to schools and libraries in the state, with only a small fraction of funding supporting Category One one-time upfront, non-recurring special construction charges.

### **Discussion**

The Illinois DoIT strongly supports the Commission's proposal to permanently eliminate the amortization requirement for non-recurring Category One funding requests of \$500,000 or more including for special construction, from the E-rate program. In support of this proposal, the Commission explains in the Notice that its suspension of the rule four years ago has reduced the administrative burden associated with applications for this type of E-rate support; accelerated disbursement of the full amount of E-rate support for eligible projects; and reduced uncertainty regarding the availability of funding.<sup>4</sup> That favorable environment, the Commission observes, incentivized efficient investment in infrastructure, including the deployment of fiber, without unduly burdening overall E-rate funding or negatively affecting the funding of other services.<sup>5</sup> The Illinois DoIT agrees with these findings.

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<sup>3</sup> See USAC Search Commitments Funding Tool (available at: <https://data.usac.org/publicreports/SearchCommitments/Search/SearchByYear>) (visited Mar. 8, 2019).

<sup>4</sup> Notice at ¶ 6.

<sup>5</sup> *Id.* at ¶¶ 6, 9.

### **A. Suspension of the Amortization Requirement Has Encouraged Cost-Effective Deployment of New Facilities**

In response to the Commission's request for comment on whether the amortization suspension has encouraged the deployment of high-speed, low-cost connections,<sup>6</sup> the Illinois DoIT believes that it has. In unserved or underserved areas, broadband telecommunications and broadband Internet access services may not be available or may be extremely costly because of a lack of adequate network capacity or competitive alternatives. In such cases, construction of new fiber facilities may be the best, most cost-effective way to meet the Commission's E-rate broadband goals for schools and libraries.<sup>7</sup>

That said, the permanent elimination of the amortization requirement is particularly important to achieve these benefits in Illinois. Most schools and libraries will require an additional source of financial assistance to meet even the non-discounted portion of the non-recurring charges associated with fiber deployment in rural and remote areas, particularly where those costs equal \$500,000 or more. For many, that assistance will come in the form of a grant of state-level funding. For the majority of the time that the current suspension has been in place, however, the state of Illinois faced a budget impasse unprecedented in the state's history. That budget impasse left the state without a complete state budget for Fiscal Years 2016, 2017, and part of 2018, leaving the state uniquely unable to avail itself of the benefits of the Commission's suspension of the amortization policy. The impasse contributed to the fact that, in Illinois, only a small number of school districts have so far requested \$500,000 or more in E-rate support for

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<sup>6</sup> *Id.* at ¶ 7.

<sup>7</sup> *E.g., Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, 29 FCC Rcd 8870 (2014) ("*E-rate Modernization Order*") at ¶ 34 (establishing school Internet access bandwidth goals of at least 100 Mbps per 1,000 students and staff in the short term and 1 Gbps Internet access per 1,000 students and staff in the longer term).

Category One non-recurring upfront charges during Funding Years 2016 through 2018. Many schools have been forced to await state funding before being able to proceed.

With the budget impasse now resolved, Illinois has moved quickly to use state appropriations to encourage schools to examine whether infrastructure funded under the Commission's E-rate program can help overcome limitations in the adequacy or cost-effectiveness of existing service options. The state of Illinois has appropriated \$17,000,000 in total to date to cover the costs of special construction to deploy high-speed fiber infrastructure necessary to meet the speed targets adopted in the *Second E-rate Modernization Order*.<sup>8</sup> Priority is given to school districts that currently do not have high speed Internet access, and the majority of the appropriated funds have been made available specifically to cover the applicant's share of special construction costs for projects for which USAC has committed E-rate support.<sup>9</sup>

These appropriations, properly matched with E-rate funding commitments, can support at least \$85 million (based on the average Illinois E-rate discount rate) in special construction projects. As the manager of the Illinois Century Network, one of the largest networks in the state dedicated to providing secure and cost-effective services to public-sector and non-profit entities, the Illinois DoIT hopes to see future applications from large consortia of E-rate applicants further expanding the availability of high-speed broadband by seeking to leverage these state

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<sup>8</sup> *Modernizing the E-rate Program for Schools and Libraries*, W.C. Docket No. 13-184, Second Report and Order and Order on Reconsideration, FCC 14-189, 29 FCC Rcd 15538, ¶¶ 16-21 (2014) ("*Second E-rate Modernization Order*").

<sup>9</sup> *See, e.g.*, Illinois General Assembly, Pub. Act 100-0586, Art. 24, § 40 (appropriating \$700,000 for "all costs associated with [school] District Broadband Expansion") and Article 162, § 145 (appropriating \$16,300,000 for "school district broadband expansion with the goal that all school districts achieve broadband capability by the beginning of the 2020-2021 school year" and providing that the "funds shall be distributed to school districts that have been approved for broadband expansion funding under the federal Universal Service Program for Schools and Libraries, with school districts without high speed Internet access receiving priority with respect to the distribution of those funds").

appropriations with E-rate support for regional construction projects with costs running well into the millions of dollars. Eliminating the amortization requirement will facilitate this vision.

Eliminating the amortization requirement will also enable more efficient use of limited E-rate support funds by allowing applicants and the E-rate mechanism to pay less over time.<sup>10</sup> Because service providers will not need to recoup capital depreciation and investment return through monthly recurring charges, the cost to E-rate applicants of broadband telecommunications and Internet access services should be lower over time. Similarly, the benefit of state appropriation of funds to cover the non-discounted portion of these costs will further reduce the financial burden on schools and libraries, allowing them to use their own institutional funds to enrich educational opportunities and resources in other ways.

**B. Restoring the Amortization Requirement Would Undermine the Commission's E-rate Goals by Reducing the Cost-Effectiveness of the Program**

Restoring the amortization requirement would likely deter applicants, especially in underserved and rural areas, from seeking special construction projects.<sup>11</sup> As illustrated by recent experience in Illinois, state budget processes, priorities, and appropriations are inherently uncertain and unpredictable from one year to the next. Just as suspending the amortization requirement in 2015 encouraged E-rate applicants to take on such projects by enhancing certainty and lowering risk, the reinstatement of the amortization requirement would have the opposite effect. A school, school district, library, or consortium would surely hesitate before committing to a costly, multi-year fiber deployment project if it were necessary to rely on sequential annual appropriations from the state legislature over three (or more) years to pay its non-discounted share of the cost.

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<sup>10</sup> Notice at ¶ 7.

<sup>11</sup> Notice at ¶ 8.

Even if the applicant were willing to proceed on that basis, the service provider performing the work would also need to accept the inherent risk, and account for the cost of carrying large customer receivables, potentially over multiple years. Such risks, at best, could raise the overall cost of the project and, at worst, might derail it completely. In either case, the applicant and the E-rate support mechanism would be forced into a less cost-effective option, as the applicant either opts for more costly monthly recurring charges for existing services, or must accept higher non-recurring construction charges reflecting the higher risk and carrying cost inherent in a longer payment timeline.

**C. The Commission May Wish to Consider a Cap on Funding Commitments for Category One Non-Recurring Charges**

As the Commission observes, over the past four years, funding commitments for Category One non-recurring charges have remained a small portion of the overall size of the E-rate mechanism.<sup>12</sup> In response to the Commission's request whether there is a risk that large special construction funding commitments could deplete all E-rate funds available under the cap and leave insufficient funds available for Category Two requests,<sup>13</sup> the Illinois DoIT believes that the risk is low. Today, the E-rate support mechanism has substantial headroom available under its cap,<sup>14</sup> leaving ample room for growth in Category One commitments for non-recurring, upfront charges. Moreover, as the Wireline Competition Bureau has recently found, "[a]s of May 2, 2018, most schools had used at least 70% of their available category two budgets."<sup>15</sup>

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<sup>12</sup> Notice at ¶ 9.

<sup>13</sup> Notice at ¶ 10.

<sup>14</sup> Notice at ¶ 9, n.18 (observing that, for Funding Year 2018, demand was \$2.77 billion, compared to the E-rate cap of \$4.06 billion).

<sup>15</sup> *Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184, Report, DA 19-71 (Wir. Comp. Bur., rel. Feb. 11, 2019), at ¶ 9.

Thus, demand for Category Two funding may be likely to decline, at least for the next few years until those budgets are restored.

Nevertheless, if the Commission is concerned on this point, the Illinois DoIT suggests that a cap on individual funding commitments for Category One non-recurring, one-time upfront special construction charges in the range of \$30 million of the total project cost would be reasonable. Such a cap could provide an adequate bulwark against even the low risk that demand could deplete available funds and impair USAC's ability to fund Category Two requests. At the same time, it is sufficiently high that it would not impact any but the largest projects. In the case of those projects, such a cap could also encourage the applicants to consider options for developing a phased approach to the construction, or breaking the project into smaller, complementary builds under the management of different parties or consortia.

### **Conclusion**

For the foregoing reasons, the Commission should permanently eliminate the requirement that applicants amortize Category One E-rate support for non-recurring upfront costs of \$500,000 or more over multiple years.

Respectfully submitted,



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EXHIBIT 1  
ATTACHMENT 1





## OFFICE OF THE GOVERNOR

207 STATE HOUSE  
SPRINGFIELD, ILLINOIS 62706

**BRUCE RAUNER**  
GOVERNOR

October 31, 2018

**By Electronic Filing in ECFS**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: *Modernizing the E-rate Program for Schools and Libraries*, WC Docket No. 13-184;  
*Schools and Libraries Universal Support Mechanism*, CC Docket No. 02-6**

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Dear Ms. Dortch,

Through this letter, the Office of the Governor of the State of Illinois and the Illinois Department of Innovation and Technology (“DoIT”), an Illinois State agency, respectfully seek a permanent lift of the suspension or, in the alternative, an extension of the suspension of the E-rate amortization policy in the *Second Modernization Order*<sup>1</sup> for an additional four years. In connection with infrastructure deployment projects funded under the Commission’s Schools and Libraries Universal Service Support Mechanism (“E-rate”), that Order suspended the Commission’s amortization policy, which otherwise would require amortization of special construction (upfront, nonrecurring) costs over at least three years for projects with such costs in excess of \$500,000. The suspension permits all of these costs to be paid in the first year of the project, but the suspension is set to expire on June 30, 2019.<sup>2</sup> The *Second Modernization Order* also specifically allowed state funding to be used for the applicants’ non-discounted portion of special construction projects, in conjunction with an Administrator’s match not to exceed ten percent (10%). Twenty-two (22) states provide eligible funding for special construction projects, including Illinois.<sup>3</sup>

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<sup>1</sup> *Modernizing the E-rate Program for Schools and Libraries*, W.C. Docket No. 13-184, Second Report and Order and Order on Reconsideration, FCC 14-189, 29 FCC Rcd 15538, ¶¶ 16-21 (2014) (“*Second Modernization Order*”).

<sup>2</sup> *Id.* at ¶¶ 55-59.

<sup>3</sup> See <https://www.usac.org/sl/applicants/beforeyoubegin/state-matching-provision.aspx> (last visited October 25, 2018).



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The State of Illinois has appropriated \$700,000 for Fiscal Year 2018 (July 1, 2017-June 30, 2018) and an additional \$16.3 million for Fiscal Year 2019 (July 1, 2018-June 30, 2019) in funding for the build out of high speed special construction infrastructure projects<sup>4</sup> envisioned in the *Second Modernization Order*. That \$16.3 million, in particular, has been appropriated from the School Infrastructure Fund to the Illinois State Board of Education (“ISBE”) to help school districts achieve sufficient per student broadband capability pursuant to FCC requirements by the beginning of the 2020-21 school year. Priority will be given to school districts that currently do not have high speed Internet access. In addition, the majority of the appropriation only allows state match funding for special construction projects after USAC has approved funding, which likely will not be until September 2019 or later. ISBE will be accepting applications for state match to take advantage of the Administrator’s match for Funding Year (FY) 2019 with a deadline in January 2019.

The State of Illinois applauded the Commission’s *Second Modernization Order*, because it would allow for “efficient investment in high-speed broadband infrastructure, including the deployment of fiber”<sup>5</sup> to assist schools and libraries in achieving connectivity requirements. The Illinois General Assembly followed suit in working on legislation that would provide state funding for these special construction projects. Legislation was finally passed to support ISBE in providing for state match in funding these projects for Fiscal Years 2018 and 2019. The \$16.3M appropriation is set to also expire on June 30, 2019, the same time as the suspension of the amortization policy. Illinois is committed to extending this appropriation to allow for FY2019 E-rate applicants to take advantage of the state funding and Administrator’s match.

The school districts most in need, along with others, have not been able to apply for special construction projects. *First*, many of the schools awaited much needed state funding. This has been an issue particularly in Illinois, which, for the majority of the time period for which the suspension has been in effect, faced a budget impasse unprecedented in the state’s history. That

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<sup>4</sup> Illinois General Assembly, Pub. Act 100-0586, Art. 24, § 40 (appropriating \$700,000 for “all costs associated with [school] District Broadband Expansion”) and Article 162, § 145 (appropriating \$16,300,000 for “school district broadband expansion with the goal that all school districts achieve broadband capability by the beginning of the 2020-2021 school year” and providing that the “funds shall be distributed to school districts that have been approved for broadband expansion funding under the federal Universal Service Program for Schools and Libraries, with school districts without high speed Internet access receiving priority with respect to the distribution of those funds”).

<sup>5</sup> *Second Modernization Order* at ¶ 17.



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budget impasse left the state without a complete state budget for Fiscal Years 2016 and 2017, leaving the state uniquely unable to avail itself of the benefits of the Commission's suspension of the amortization policy.

*Second*, schools cautiously moved forward awaiting further clarification of the fiber program rules from both the FCC and USAC. It has taken several years for USAC to work through many of the issues on these fiber projects. Clearer guidance on special construction fiber projects, including funding for dark fiber and self-provisioned networks has emerged gradually through a combination of industry experience and USAC training only within the past year.

*Third*, the delay in the USAC funding of these projects was of serious concern to many school districts, because issuing and planning for such buildouts is an arduous task that requires a significant commitment of staff resources. Now, with funding in place to take advantage of this very important Commission initiative, we are on the brink of a setback if the extension of the suspension is not granted.

Failure to extend the suspension of the amortization policy will have a chilling effect on further construction of high speed networks to school districts most in need throughout the State of Illinois. For example, if the amortization policy were to be reinstated for FY2019, Illinois school districts, including 77 rural school districts, most of which must rely on DSL or cable modem, would be limited to special construction charges of up to \$500K. This limitation could restrict buildout, especially to the rural school districts. While the State has appropriated substantial funding for the current fiscal year, without a further extension of the suspension of the amortization policy there can be no assurances that it will be re-appropriated or supplemented in future years.

In addition, the Commission also mandated that any school building that received matching funds would be ineligible to receive additional matching funds for a period of fifteen (15) years. Specifically, the Commission stated "to prevent excessive or duplicative funding during a high-speed broadband connection's useful life, any school or library connection that is built with matching funds will be ineligible to receive additional matching funds for special construction to the same buildings from the E-rate program for 15 years."<sup>6</sup> In essence, if this extension of the suspension is not granted, school districts will not only be limited to \$500K in special construction

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<sup>6</sup> *Id.* at ¶ 59.



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costs, a sum that may not prove adequate, but would also be prohibited from seeking further matching funds for 15 years.

The Commission need not be concerned that support for special construction under E-rate will be used to overbuild or otherwise duplicate Connect America Fund (“CAF”) support. *First*, to the extent that CAF support permits delivery of broadband service to schools or libraries, the Commission’s rules already require recipients to respond to posted Form 470 requests for service by offering eligible schools and libraries broadband service at rates reasonably comparable to those charged to schools and libraries in urban areas for similar services.<sup>7</sup> In a CAF-eligible area, therefore, broadband services that CAF support has made available must be offered to the local schools and libraries, and are virtually certain to be considered more cost effective than special construction.

*Second*, the mere fact that a school or library is located in an area for which a service provider is receiving CAF support does not mean that it will necessarily gain access to new broadband options or services. CAF Phase II requires only that the recipient connect a prescribed number of customer locations within the census blocks associated with the award of support. This does not mean that all customers within those census blocks will be served, if the CAF recipient can reach the required number of customer locations by deploying new broadband facilities only to a portion of the eligible census blocks.<sup>8</sup>

Thus, even in areas covered by an award of CAF support, however, not all schools and libraries may be passed by broadband-capable facilities. CAF support, including CAF Phase II and the recent CAF auction, is focused on deployment of voice and broadband service to unserved residential and small business locations that will seek mass market, consumer-grade broadband

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<sup>7</sup> *Second Modernization Order* at ¶¶ 60-63.

<sup>8</sup> *E.g.*, *Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161, 26 FCC Rcd 17663 (2011) (“*Transformation Order*”), at ¶ 171, n.279 (requiring carriers accepting CAF Phase II support to deploy voice and broadband to locations unserved by an unsubsidized competitor so that the “total number of locations covered is greater than or equal to the number of locations in the eligible census blocks”); *Connect America Fund*, WC Docket No. 10-90, Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, FCC 16-33, 31 FCC Rcd 3087 (2016) at ¶ 20 (adopting a “voluntary path for rate-of-return carriers to elect to receive model-based support in exchange for deploying broadband-capable networks to a pre-determined number of eligible locations”).



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services.<sup>9</sup> While in many cases, new broadband facilities constructed to meet this obligation may pass schools, libraries, or other anchor institutions, there is no explicit requirement for CAF recipients to do so. Some special construction may still be required to connect schools and libraries to CAF-supported networks, and CAF recipients remain free to impose on E-rate recipients the charges associated with such work.<sup>10</sup>

*Third*, there is no assurance that a CAF-supported network would support the bandwidth needed by the school or library, even if it passed it directly. This is particularly the case because the obligations associated with CAF support (and CAF Phase II support in particular) start at a minimum speed of 10 Mbps downstream and 1 Mbps upstream. This speed compares unfavorably with the Commission's target of "at least 100 Mbps per 1,000 students and staff (users) in the short term and 1 Gbps Internet access per 1,000 users in the longer term."<sup>11</sup> While the winning bidders in the recently completed CAF auction generally committed to deploy service at speeds higher than 10/1, only 19 percent of the homes and small business locations where support was awarded are covered by a winning bidder that will deploy service of 1 Gbps or above.<sup>12</sup> Moreover, CAF support awarded in Auction 903 covers a ten-year term that is only just beginning.<sup>13</sup> The Commission should not require America's students to wait until that buildout is complete, particularly when so

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<sup>9</sup> *E.g., Connect America Fund*, WC Docket No. 10-90, Public Notice, "Wireline Competition Bureau Provides Guidance to Carriers Receiving Connect America Fund Support Regarding Their Broadband Location Reporting Obligations," DA 16-1363, 31 FCC Rcd 12900 (Wir. Comp. Bur. 2016), at 3 (recipients should report residential locations served, as well as "businesses that they would expect to demand consumer-grade broadband service, which typically are small").

<sup>10</sup> *Second Modernization Order* at ¶ 64 (finding that CAF recipients "remain free to charge reasonable special construction charges to schools and libraries, and those schools and libraries, in turn, will be able to receive support for those charges through the E-rate program" for construction that "is necessary to provide the additional capacity to the requesting school and library from existing fiber backhaul in the vicinity of the school or library: essentially, the incremental cost of a spur to serve the school or library").

<sup>11</sup> *Modernizing the E-rate Program for Schools and Libraries*, W.C. Docket No. 13-184, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-99, 29 FCC Rcd 8870, ¶ 34. (2014) ("*First Modernization Order*").

<sup>12</sup> Rural Broadband Auctions Task Force, "Connect America Fund Phase II Auction Results," FCC Open Meeting Presentation (Sept. 26, 2018), available at: <https://docs.fcc.gov/public/attachments/DOC-354278A1.pdf>.

<sup>13</sup> *See Connect America Fund*, WC Docket No. 10-90, Public Notice, "Connect America Fund Phase II Auction (Auction 903) Closes; Winning Bidders Announced; FCC Form 683 Due October 15, 2018," DA 18-887 (Wireless Telecom. and Wir. Comp. Bureaus rel. August 28, 2018).



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much uncertainty surrounds whether and to what degree the associated facilities will pass any given school or library, or support the services they need.

For the above reasons, the State of Illinois respectfully urges the Commission to either permanently allow for special construction charges, or, in the alternative to extend the suspension of the amortization policy for an additional four years.

A handwritten signature in cursive script that reads "Emily Bastedo".

Emily Bastedo  
Senior Advisor to the Governor on Education Policy  
State of Illinois  
(312)937-3731  
Emily.Bastedo@illinois.gov

cc:

Nirali Patel, Chairman Pai's legal advisor  
Jamie Susskind, Commissioner Carr's legal advisor  
Arielle Roth, Commissioner O'Rielly's legal advisor  
Travis Litman, Commissioner Rosenworcel's legal advisor  
Kris Montieth, Chief, WCB  
D'wana Terry, Associate Bureau Chief, WCB  
Ryan Palmer, Chief, Telecommunications Access Policy Division (TAPD), WCB  
Gabriela Gross, Deputy Division Chief, TAPD, WCB

EXHIBIT 1  
ATTACHMENT 2





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October 19, 2018

**By Electronic Filing ECFS**

Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, SW  
Washington, DC 20554

**Re: *Modernization of the E-Rate Program*, WC Docket 13-184**

Dear Ms. Dortch,

On Tuesday, October 16, 2018, I met in separate meetings with Nirali Patel, Wireline Advisor to Chairman Ajit Pai, and Arielle Roth, Wireline Legal Advisor to Commissioner Michael O'Reilly. Sam Buck, Managing Director of Education Systems at Illinois Office of the Governor, and Essam El-Beik, Consultant, Illinois Department of Innovation and Technology participated by telephone in both meetings. Lori Sorenson, Chief of Network Operations, Illinois Department of Innovation and Technology, participated by phone in the meeting with Ms. Patel.

During the meetings we discussed the suspension of the E-rate amortization requirement in the *Second Modernization Order*,<sup>1</sup> which allowed special construction (upfront, nonrecurring) costs to be paid in the first year of the project, as opposed to requiring amortization over at least three years for non-recurring costs in excess of \$500K. The suspension of the amortization policy is set to expire on June 30, 2019.

The *Second Modernization Order* also specifically allowed state funding to be used for the applicants' non-discounted portion of special construction projects, in conjunction with an Administrator's match not to exceed 10%. Twenty-two (22) states provide state funding for special construction projects.

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<sup>1</sup> *Modernizing the E-rate Program for Schools and Libraries*, W.C. Docket No. 13-184, Second Report and Order and Order on Reconsideration, 29 FCC Rcd 15538, ¶¶ 16-21 (2014) (*Second Modernization Order*).





Currently, the State of Illinois has appropriated \$17M in state funding for the build out of high speed special construction infrastructure projects envisioned in the *Second Modernization Order*. Specifically, with respect to these special construction projects, we urged the Commission to remove the amortization requirement or, in the alternative, to extend the suspension for an additional four years. We explained that without the extension, the State of Illinois, as well as many other participating states and E-rate stakeholders, will not be able to utilize the state funding to bring high-speed broadband to eighty (80) underserved rural school districts, as well as other schools and libraries throughout the state.

Please direct any questions regarding this matter to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Cynthia B. Schults', written in a cursive style.

Cynthia B. Schults  
Counsel to Illinois Department of Innovation and Technology

cc: Nirali Patel (via e-mail)  
Arielle Roth (via e-mail)